



PRESS RELEASE

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Statement by Lieutenant Governor McConnell on South Carolina's Department of Health and Human Services Audit

The release of the audit on the South Carolina Department of Health and Human Services confirms some of my major concerns about the cabinet bureaucracy known as DHHS and the need to pass the Deficit Prevention Act I proposed while a Senator. Although a restructured agency, this department, under the Sanford administration, washed a year-end deficit through its books to the next fiscal year, spent money from a future year to pay the previous year's bills and then ran an almost quarter of a billion dollar deficit in the next budget year according to the audit. Additionally, this agency failed to tell the General Assembly about this and underestimated its growth rates to the General Assembly during the budgeting process in Fiscal Year 09-10 and Fiscal Year 10-11. Although it knew it was running a deficit in FY 10-11 as early as the first month of that budget year, it did not notify the Budget and Control Board of a deficit until the fifth month of the new budget year.

This audit should make every South Carolinian's blood boil. DHHS overspends, fails to report it on time, and then gets a bailout. The audit confirms DHHS began FY 10-11 with a \$51.9

million deficit. In FY 10-11, the department projected a 5% increase in expenses, while the actual figure was 11.1%. Yet, during the budget process for the FY 10-11 budget, financial information from DHHS showed a projected growth rate of greatly over that, of what the agency was asking for. Then months later, it asked for the almost quarter of a billion dollar bailout from the overspend. How could it not know what it needed to continue on its spending program?

I warned this agency in August 2010, it could not run a deficit without authorization from the Budget and Control Board and that under applicable law, it could only be allowed if it was unavoidable. How could it be found unavoidable and a bailout given if the agency knew or should have known as early as the spring of 2010 that it was growing faster than projected in the current budget and greater than what was requested for the new budget? This is why we needed the Deficit Prevention Act and the Department of Administration Bill ending the Budget and Control Board's authority to recognize deficits and grant bailouts.

All of this has made a mockery of the budget process, a balanced budget requirement, and the restrictions against budget deficits. Where was the Sanford administration's oversight of its Department? Again, this confirms my belief that there is no such thing as a naturally efficient government agency and that despite the shuffling of the deck chairs in cabinet restructuring, close and continuous oversight of these agencies will constantly be required by the legislature. Passing the Department of Administration Bill will require the legislators to do this for the taxpayer. Also, I hope the General Assembly will enact the quarterly budgeting and reporting reforms recommended by the Legislative Audit Council for all agencies in State government.

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